

Message Text

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SUBJ: DEPUTY PRIME MINISTER DISCUSSES U.S. BUSINESS ROLE IN
MALAYSIA

REF: KUALA LUMPUR 2369

1. ADDRESSING THE FIRST GENERAL MEETING OF THE NEWLY-FORMED
AMERICAN BUSINESS COUNCIL, DEPUTY PRIME MINISTER, DR. MAHATHIR
BIN MOHAMED, INJECTED A NOTE OF REALISM INTO DISCUSSION OF MALAYSIA'S
INVESTMENT CLIMATE. HE EMPHASIZED THAT WHILE THE GOM UNDERSTANDS THE
IMPORTANCE OF FOREIGN COMPANIES MAKING A PROFIT, ALL EXPATRIATE
BUSINESSMAN MUST REALIZE THAT MALAYSIA EXPECTS TO REAP EQUAL
BENEFITS FROM THEIR ACTIVITIES. HE STATED THAT WHILE MALAYSIA WAS
RECEPTIVE TO INVESTMENT FROM MANY QUARTERS, SHE LOOKED WITH SPECIAL
INTEREST TOWARDS THE UNITED STATES BECAUSE OF AMERICAN EXPERTISE
IN TECHNOLOGY AND MANUFACTURING.

2. AS AN INDICATION OF HIS OWN INTEREST IN THE UNITED STATES,
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THE DEPUTY PRIME MINISTER MENTIONED THAT HE WOULD LEAD AN
INVESTMENT TEAM AND TRADE MISSION TO THE UNITED STATES LATER
THIS YEAR. HE STATED THAT THIS WAS BUT ONE OF SEVERAL TRIPS
HE WILL HAVE MADE TO THE UNITED STATES SINCE HE BECAME THE
DEPUTY PRIME MINISTER.

3. DR. MAHATHIR POINTED OUT THAT THE UNITED STATES WAS THE FIRST

COUNTRY TO SIGN AN INVESTMENT GUARANTEE AGREEMENT WITH MALAYSIA IN 1959. HE STATED THAT HE HOPED THE SPIRIT OF THIS AGREEMENT STILL PREVAILED BECAUSE MALAYSIA LOOKS TOWARDS THE UNITED STATES "NOT FOR AID, BUT FOR FULLER ECONOMIC COOPERATION; FOR MUTUALLY BENEFICIAL INVESTMENT CAPITAL, FOR TECHNOLOGY AND ACCESS TO WORLD MARKETS TO HELP US ACHIEVE DEVELOPMENT TARGETS."

4. THE DEPUTY PRIME MINISTER SPECIFICALLY REQUESTED THE AMERICAN BUSINESS COUNCIL TO ASSIST MALAYSIA IN A DIRECT FASHION IN THE FOLLOWING AREAS: (A) INCREASING U.S. INVESTMENT IN MALAYSIA BY PROVIDING INFORMATION AND ASSISTANCE TO AMERICAN FIRMS' INTERESTED IN INVESTING IN MALAYSIA AND BY SPREADING THE WORD THAT THERE IS A TREMENDOUS POTENTIAL FOR INVESTMENT IN THIS COUNTRY; (B) CORRECTING MISCONCEPTIONS AND MISINTERPRETATIONS IN THE AMERICAN PRESS REGARDING THE MALAYSIAN INVESTMENT CLIMATE. DR. MAHATHIR SAID "BAD NEWS ABOUT OTHERS MAY MAKE GOOD COPY FOR AMERICAN PAPERS (AND OTHER PAPERS TOO) BUT THEY DO NOTHING GOOD FOR US IN MALAYSIA OR IN THE FINAL ANALYSIS FOR AMERICAN BUSINESS." HE FURTHERMORE STATE "I WOULD LIKE TO SEE THE AMERICAN BUSINESS COUNCIL TAKE POSITIVE STEPS TO REBUT SUCH MISREPRESENTATION. I WILL REQUEST FIDA TO REFER SUCH NEWS REPORTS TO YOU IN FUTURE, AND I WOULD BE INTERESTED IN RECEIVING A COPY OF YOUR REACTION TO THESE REPORTS WHICH YOU FORWARD TO THE EDITORS OF THE NEWSPAPERS AND MAGAZINES;" (C) HELPING THE GOVERNMENT FULFILL ITS OBJECTIVES OF INCREASING BUMIPUTRA (ETHNIC MALAY) PARTICIPATION IN THE MANUFACTURING SECTOR; (D) BUILDING UP THE LIMITED OFFICIAL USE

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LEVEL FO MALAYSIAN TECHNICAL SKILL BY CONDUCTING MORE COMPREHENSIVE TRAINING PROGRAMS FRO MALAYSIAN WORKERS.

5. DR. MAHATHIR EXPRESSED CONCERN AT THE ADMINISTRATION POSITION ON TAX DEFERRAL FOR AMERICAN COMPANIES ABROAD. HE FELT THIS WOULD HAVE A LIMITING EFFECT ON AMERICAN FOREIGN INVESTMENT. HE GAVE ASSURANCES THAT MALAYSIA WAS NOT OUT TO COMPETE WITH THE U.S. FOR INDUSTRY. HE STRESSED THAT MALAYSIA WAS SEEKING INDUSTRIES WHICH, FOR A VARIETY OF REASONS ARE NOT LONGER PROFITABLE IN THE UNITED STATES.

6. IN THE QUESTION AND ANSWER SESSION WHICH FOLLOWED THE SPEECH, DR. MAHATHIR WAS QUITE OUTSPOKEN ON A NUMBER OF ISSUES. HE MENTIONED THAT HE HAS ENCOUNTERED A SUBSTANTIAL DEGREE OF DIFFICULTY OF OBTAINING STATE COMPLIANCE WITH FEDERAL GOVERNMENT POLICY IN THE AREA OF LAND FOR MANUFACTURING OPERATIONS. HE ALSO ADMITTED THAT HE HAD OBSERVED DELAYS WITHIN THE BUREAUCRATIC PROCESS AND THAT HE WAS TAKING STEPS TO TRY AND SPEED THINGS UP. ON THE INDUSTRIAL COORDINATION ACT, HE STATE THAT THE GOM HAD NO INTENTION OF ABOLISHING THE ACT AND THAT HE HAD YET TO SEE A SINGLE PROJECT SERIOUSLY HINDERED BECAUSE OF THE ACT. IN RESPONSE TO A QUESTION AS TO THE TIMING OF THE FORTHCOMING

ELECTION, DR. MAHATHIR ADROITLY AVOIDED ANY SPECIFIC DATES, SIMPLY NOTING THAT, AS IN THE CASE OF KELANTAN, THE NATIONAL FRONT WOULD CAREFULLY WEIGH ALL FACTORS SO AS TO CHOOSE THE MOST OPPORTUNE TIME FOR ELECTIONS.

7. TEXT OF DR. MAHATHIR'S SPEECH FOLLOWS BY AIRGRAM.

8. COMMENT: IT WAS NOTEWORTHY THAT AFTER SEVERAL SPEECHES UNDERLYING THE GOM'S COOPERATIVE POLICY TOWARDS FOREIGN INVESTORS THAT DR. MAHATHIR DECIDED TO STRESS MALAYSIAN GOVERNMENT REQUIREMENTS RATHER THAN INCENTIVES. HE ALSO OFFERED A FAIRLY FORTHRIGHT DEFENSE OF THE NEW ECONOMIC POLICY, SOMETHING GOM OFFICIALS HAVE NOT FOR SOME TIME. HIS REQUEST THAT THE ABC WRITE TO AMERICAN NEWSPAPERS SEEMS TO HAVE BEEN SPARKED BY LIMITED OFFICIAL USE

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A REPORT ON THE TROUBLES OF AN AMERICAN BUSINESSMAN NAMED THOMAS HUFF (UNKNOWN TO THE EMBASSY) WHICH APPEARED IN A RECENT LOS ANGELES TIMES ARTICLE (COPY BEING POUCHED). IN ANY CASE, THE HINT TO THE AVC WAS UNSUBTLE AND THE PRESIDENT OF THE ORGANIZATION HAS INFORMED US THAT IT HAS ALREADY CREATED A CERTAIN QUANDRY FOR THE BOARD WHEN DR. MAHTATHIR PROMISED TO SEND OVER THE PRESSREPORTS ON MR. HUFF'S COMPLAINTS. ALL THIS ASIDE, THE DPM INDICATED BY HIS PRESENCE AND HIS RELAXED MANNER THE GENERALLY POSITIVE FEELINGS HE HAS FOR AMERICANS AND AMERICAN BUSINESS INTERESTS. HE ALSO INDICATED HIS FAMILIARITY WITH THE U.S. SCENE BY COMPARING THE NEP TO OUR AFFIRMATIVE ACTION PROGRAMS AND NOTING THAT THE BAKKE CASE INDICATED THAT INDIVIDUAL INTERESTS CAN OCCASIONALLY BE DAMAGED BY AN OVERALL POLICY.
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